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Vietnam's political economy: a discussion on the 1986-2016 period

Quan Hoang Vuong

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However, in the recent transition turmoil the Vietnamese economy has experienced some significant setback, and the solution for getting the country out of the downward spiral of low productivity, waning purchasing power and increasing costs of doing business cannot be worked out without addressing those political economy issues that have shaped the modus operandi of the nation's economic system. This article discusses the post-Doi Moi political economy in Vietnam, from 1986 to 2016 – when the 12th Congress of the Communist Party of Vietnam takes place – and prospects of reviving reform momentum in subsequent years.

Keywords: Vietnam, economic transition, political economy, socialist, governance.

JEL Classifications: H1, O1, P2, P48.

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Université Libre de Bruxelles - Solvay Brussels School of Economics and Management
Centre Emile Bernheim
ULB CP114/03 50, avenue F.D. Roosevelt 1050 Brussels BELGIUM
e-mail: ceb@admin.ulb.ac.be Tel. : +32 (0)2/650.48.64 Fax: +32 (0)2/650.41.88

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Quan Hoang Vuong, Ph.D.
Centre Emile Bernheim, Université Libre de Bruxelles
42 Avenue F.D. Roosevelt, Brussels 1050, Belgium
e-mail: qvuong@ulb.ac.be

Summary
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Introduction

The transition economy of Vietnam enjoyed remarkable achievements in the first 20 years of economic renovation (*Doi Moi*) from 1986 to 2006. Notably, the economy grew at an average annual rate of 7.5% in 1991-2000 period. Vietnam's Amended Constitution 1992 recognized the role of private sector in the economy. U.S.-Vietnam Trade Bilateral Agreement (US-BTA) was signed in 2001. The country's stock market made debut trading in 2000. Vietnam became a member of Association of Southeast Asian Nations (ASEAN) in 1995, then proceeded to full membership of the World Trade Organization in 2007, following which registered foreign direct investment (FDI) reached an all-time high of US$71.7 billion in 2008. Together with the impressive economic achievements, Vietnam also saw its diplomatic and political status constantly improved in the international arena. The country has established diplomatic relations with more than 170 countries in the world, strategic partnerships with 12 important economies, both developed and emerging, namely China, Japan, Russia, India, England, France, North Korea, Italy, Germany, Indonesia, Malaysia and Thailand. The country also successfully hosted important events including the Asia Pacific Economic Cooperation (APEC) in 2006.

Upbeat sentiment helped to send Vietnam's stock market index (VN-Index) to its peak of 1,170 in March 2007 before its nosedive to 250 in February 2009, auguring an imminent crisis. Since 2008 Vietnam's GDP pace of expansion has slowed down markedly, with 2012 rate declining to 5%, the lowest level in 13 years, while the macro economy faced paramount turbulence, large trade deficit, high inflation, overwhelming business closures, rampant corruption and transparency problems, demonstrations of enraged citizens, downgrading environment, and sovereignty confrontation with China in the South China Sea (politically correct: "the East Sea").

Since the world's geo-economics and geo-politics are entering an uncharted territory of evolving complication and rising uncertainty, not only Vietnamese entrepreneurs and households but also economists and policy makers are puzzled about what have happened, although the government has made a ten-year plan for 2011-20 socio-economic development. The ruling elites appear to have written this plan based more on "the desirable" than "the achievable" while a clear vision for farther future based on careful projections and profound solutions is needed. Vietnamese and outsiders have been increasingly aware of noticeable gaps between the country's promising potential and actual realization (Napier and

Vuong, 2013). As Vietnam has been considered somehow an entrance geopolitical game of East Asia and a 600-million population ASEAN market, the keen eye of international players sticks to the Vietnamese political economic scene of the country, which will most likely define the economic and diplomatic paths in the coming years.

The four characteristic sub-periods of post-Doi Moi transition

From the adoption of *Doi Moi* in 1986 by the CPV's Sixth National Congress to present day, Vietnam's economy has transformed from a centrally-planned model to market oriented with four characterized sub-periods. We divide the sub-periods based on the economy's entrepreneurial perspectives, emerging cultural values, the building of market economy, and attitude toward global geopolitics and economics.

The period of "entrepreneurial policy-makers" (1986-1994)

In its history, Vietnam barely had economic prosperity that lasted for decades. Until early twentieth century, the feudalist nation was a small and outdated agrarian country with continuous wars and invasions from the North (China and Mongolia) and conflicts with the Southwest neighbor (Cambodia). In the 20th century, the French and American wars drew most national efforts to serve the combats. From the national unification in 1975 to 1985, the nation struggled with its five-year plans on collectivization of agricultural and industrial production. However, the real results were often far behind expectation because the guiding principles "violated the most important motivation for production development, that it is worked against the working people's vital vested interests," (Boothroyd and Pham, 2000).

Upon the failure of the 1985 price-wage-currency adjustment scheme, a severe economic crisis followed, resulting in hyperinflation of 775% in 1986, scarcity of staples and consumer goods, impoverished living conditions, industrial stagnation, and mounting foreign debts (Pham and Vuong, 2009; Vuong, Dam, Van Houtte, and Tran, 2011). The situation worsened as Vietnam could barely trade with the West due to the U.S.'s trade embargo (Cockburn, 1994). The chaos had put the CPV under immense pressure to get the country out of the crisis, and *Doi Moi* policies were an answer introduced in 1986, with which Riedel and Turley (1999) believed that there was no "political revolution or ideological conversion on the part of the leadership." The socialist ideology remained and was reiterated by the political leader of *Doi Moi*, the Communist Party of Vietnam (CPV) General Secretary Nguyen Van Linh that "It is not objectively necessary to establish a political mechanism of pluralism and multiparty government. Socialism is the only right decision" (Shenon, 1998).

However, *Doi Moi* leaders demonstrated some remarkable entrepreneurial characteristics in their economic thinking and implementation (Vuong et al., 2011) as "economic crisis and harsh realities were neither necessary nor sufficient conditions for the reform to take place" which enabled an undertaking process that had brought about the long-awaited extensive reforms, learning lessons of economic policies from Ho Chi Minh's times, 1945-1969, about the adoption of a multi-sectoral economy based on different types of ownership, encouraging for foreign investments, foreign trade (Pham and Vuong, 2009; Vuong et al., 2011).

Before *Doi Moi*, Le Duan, CPV General Secretary from 1960 to 1986, was already critical of economic models taught by the Soviet Union and China for chronic economic malaise and blunders, although despite some innovative thinking Le Duan himself was a strong opponent of market economy and much of his policy turned out counter-productive. But in his time, Kim Ngoc, Party Secretary of Vinh Phuc province from 1966 to 1967, was an accomplished entrepreneurial politician who soon recognized problems of the mass collectivization, which resulted in poor agricultural production, and the need to have property right in farm household. He 'invented' a pilot plan called *Khoán*, which had granted a certain degree of economic freedom to farmers, leading to remarkably higher rice yield and pig herds during the American war. Ngoc's innovative ideas were basically not accepted by the North's collectivism, and for a moment was regarded as an offensive to the prevailing socialist ideology (Vuong *et al*., 2011).

After the death of Le Duan, Truong Chinh, a high-ranked politburo member and who would then briefly serve as CPV General Secretary (July-December 1986), was another highly influential leader and "the one who laid down the first brick for the House of Reform of Vietnam," (Vuong *et al*., 2011) by launching the program of extensive reforms during the 6th CPV Congress in December 1986. As Truong Chinh stepped down, Nguyen Van Linh, CPV General Secretary 1987-91, continued to bring concepts of reforms to the nation's economic life through a nationwide reform program with sweeping changes (Tran, 2002). The old-fashioned centrally-planned economy was replaced with socialist market mechanism, which promoted the concept of a multi-sectoral economy, open-door policies towards international trade and investment, and recognized private property rights (Vuving, 2012).

The new Law on Foreign Investment initiated in 1987 enabled a surge of the first wave of foreign direct investments (FDI) flowing into Vietnam, which then reached 10% of GDP in 1994. Vietnam was the largest FDI recipient among developing countries and economies in transition in proportion to the size of its economy (World Bank, 1999) thanks to its "macroeconomic stabilization resulting from *Doi Moi* and investor expectations of continuing reforms and improvements in the general investment climate" (Kokko, 1998). Corporate Law and Private Enterprise Law in 1990 'broke ground' the national private growth engine. From the old Confucian view imposed by the feudalist elites, which favors "educated scholars serving the government" (Vuong and Tran, 2009), by 1994 over 17,400 entrepreneurial firms started up. The 1992 Constitution extended human rights and recognized the multi-sectoral economy.[1] Land Law in 1987 (revised in 1993) granted farmers land use rights. The milestones of *Doi Moi* from 1987 to 1994 can be summarized in the following table.

1986
- Sixth National Congress Meeting adopted *Doi Moi*

1987
- Land Law introduced 1st time. (amended in 1993, 1998, 2001, 2003 and 2013).
- Foreign Investment Law introduced (amended in 1990, 1992, 1995, 1996, 2000, 2005, 2009).

1988
- Poliburo released Resolution 10 in agricultural management, abandoning collectivization

1989
- Vietnam became 3th largest rice export country

1990
- Corporate law and private enterprise law were launched to stimulate private business
- First ideas about privatization of state-owned enterprises
- Changed one-tiered banking system into two-tiered one.

1991
- Despite the collapse of Soviet Union, CPV decided to continue socialism

1992
- Introduced new Consitution, replacing the 1980 Constitution

1993
- Normalized relationship with international financial institutions.

Figure 1: Milestones of *Doi Moi* from 1987 to 1994

Vietnam quickly grew to become the world's third largest rice exporter in 1989 (approx. 1.2 million tons exported), after China and the United States. The entrepreneurial policy-makers had been the core element to bring about change in macroeconomic management in 1990s although the CPV reserved *status quo* as the unique ruler.

Economic integration and adaption of market economy (1995-1999)

An eminent reformer, Prime Minister Vo Van Kiet came in office from 1992 to 1997, and continued to advocate extensive reforms. Vietnam sought further economic integration and diplomatic relations within the region and the world. From 1995 to 1999, the normalizing of diplomatic and trade relations with the United States was among the most remarkable for Vietnam, opening up opportunities to work with the world's developed economies and international organizations around, including multi-lateral donors such as the World Bank and ADB.

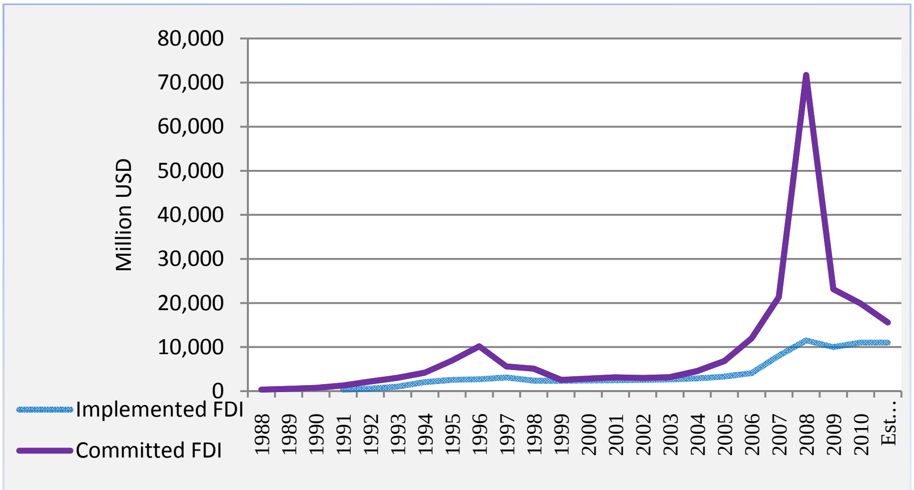
While the conservative in the CPV may have been afraid of losing their control over economic development and the national politics, generally speaking the CPV adopted open policies as they saw benefits for the country while no direct threats to their power were seen. Despite existence of conflicting views within the CPV, *Doi Moi* momentum was retained for almost two decades with political consensus over three major principles: a) Political stability is a prerequisite of economic development, and the CPV remains to be the unique power; b) To achieve economic goals, Vietnam must keep its door open to foreign trade and investment; and, c) Gradualism is preferred to avoid 'deviation from the socialist path' (Riedel and Turley, 1999). These principles have been preserved and implemented explicitly through the CPV and government's socio-economic and foreign policies.

The U.S. also had some commercial interest in Vietnam's growing economy and strategic political interest to work with allies and friends "to promote stability and development by integrating Vietnam more fully into the existing East Asian order," (U.S. Congress, 2005). Over US$10 billion of FDI entered the country in 1996 together with billions of dollars of ODA coming from the World Bank and Asian Development Bank. FDI enterprises played an important role in creating jobs (Athukorala and Tran, 2012), paying corporate taxes, encouraging consumption and competition, and contributing to export growth (Nguyen and Xing, 2008). Vietnam's GDP grew at 9.5% and 9.3% annually in 1995 and 1996 respectively, the highest rates recorded in the post-*Doi Moi* period.

The country also expanded its diplomatic relations within the region becoming member of ASEAN (1995), APEC (1998). The U.S. and Vietnam then expanded the relation into a US-Vietnam bilateral trading agreement (the BTA was later signed in 2001). The US-Vietnam BTA "had an important political economy impact" by "spurring political will to speed up negotiations on [Vietnam's] accession to WTO" in later years (CIEM-USAID, 2007).

Integrating in international markets has brought about new market opportunities and helped the country to deepen its reform, but at the same time exposed the country to contagious risks. Although less hurt by the Asian financial crisis in 1998 than other major Asian economies due to its young markets, Vietnam experienced GDP growth decline to 4.77% in 1998 and committed FDI fell by half in 1997-1998 to approximately US$5 billion, compared to US$10 billion in 1996 (Vuong, 2010). When the Asian financial turmoil broke out, Vietnam was still a nascent market model, without stock market; and the fledgling banking system was controlled by the state-run powerhouses who occupied 75% of assets and credit portfolio (Kokko, 1998). Inefficient SOEs still accounted for 50% of the country's output (Congress Research Service, 2005).

Figure 2: Foreign Direct Investments into Vietnam



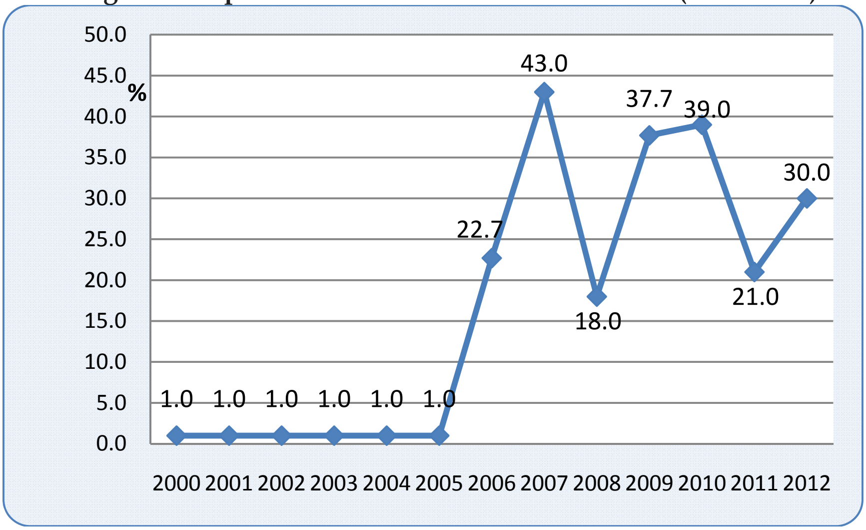
Source: GSO, http://www.gso.gov.vn; accessed 3 October, 2013)

Economic boom and emerging cultural values (2000-2006)

Succeeding Vo Van Kiet, Prime Minister Phan Van Khai (1997-2006) continued to pursue further integration into the world economy, especially from 2000 to 2006. In 2005, Mr. Khai was the first Vietnamese leader visiting the U.S., strengthening diplomatic relations between the two countries. The U.S. then supported Vietnam's accession to WTO in early 2007 (Congress Research Service, 2008). Under Khai's leadership, Vietnam's economy experienced economic prosperity, quickly expanding financial markets and GDP, low inflation, surging FDI inflows and faster pace of privatization of SOEs. The capitalist symbolic finance machine – the stock market – was born in July 2000.

By the end of 2000, Vietnam stock market's capitalization was negligible in economic terms, less than 1% of GDP. But by the end of 2006, the figure rose to 22.7%. In 2006 VN-Index rose 150%. From 2006 to early 2007, investors considered stock markets a 'money machine,' and herd mentality triggered huge market bubble risks. Despite immense risks, the market continued to go high as capital gains were still made easily, and macro prospects looked bright with Vietnam joining WTO soon (Pham and Vuong, 2009).

Figure 3: Capitalization of Vietnam stock market (% of GDP)



Source: Vuong (2010); NFSC (2011); Tran (2013).

An average GDP growth of 7.5% in 2000-2005 period and the economy ranked at 58th largest in the world in 2006 made Vietnam like a little tiger economy in Southeast Asia (GSO, 2011; UNCTAD, 2008). However, the rapid rate succumbed to 'resource curse' problem (Vuong and Napier, 2014) as there appeared more evidence that economic growth heavily relied on overconsumption of physical assets or/and capital endowments while innovation and productivity were not the main emphasis, leading to a decline of competitiveness. Vietnam's high incremental capital to output ratio (ICOR) of 7-8 times, compared to other Southeast Asian economies of 3-4, and rising investment to GDP over years, i.e., 4.9% (from 1996 to 2000) to 39.1% (2001-2005) to the staggering 43.5% (2006-2010) show its propensity to consume more resources while seeking growth. The absence of innovation and creativity together with resource curse will be destructive in the long run. Worse, the curse is more severe in the state-owned sector whose ICOR is two or three times higher than that in non-state sector.

Under P.M. Phan Van Khai's leadership, although the state-led model was still advocated, he did not vow to establish the state-run conglomerates. (There were only two state-run conglomerates established under Khai's tenure that are Vinacomin and Vinashin.) In a stark contrast, his successor P.M. Nguyen Tan

Dung established other eleven conglomerates within a few years after he took office. The breakdown of investment capital of the state-owned behemoths (Table 1) showed remarkably greater state budget investment in SOEs in 2008-09.

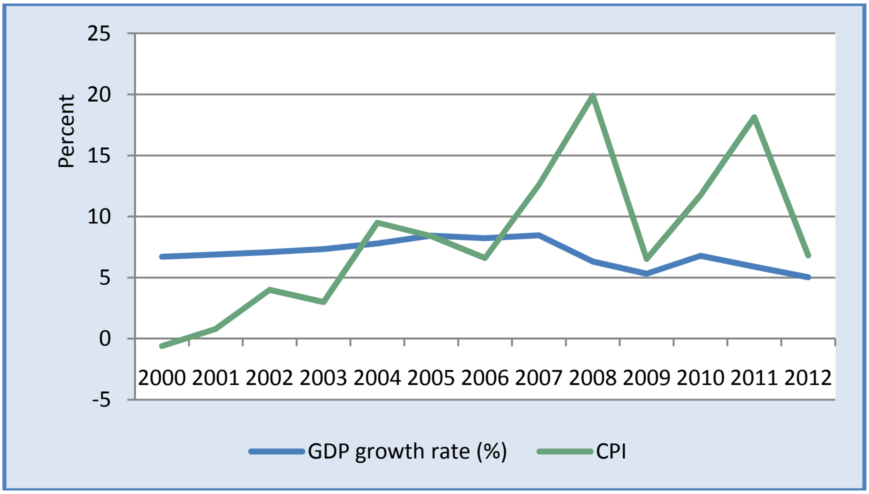
Table 1: Implemented investment capital of SOEs, 2001-2010

Unit: %	Total	State budget	Borrowed funds	SOEs' capital
10-year average	100	52.9	22.6	24.5
2001	100	44.7	28.2	27.1
2002	100	43.8	30.4	25.8
2003	100	45.0	30.8	24.2
2004	100	49.5	25.5	25.0
2005	100	54.4	22.3	23.3
2006	100	54.1	14.5	31.4
2007	100	54.2	15.4	30.4
2008	100	61.8	13.5	24.7
2009	100	64.3	14.1	21.6
2010	100	44.8	36.6	18.6

Source: GSO, 2011: 45. Data in current prices.

Still, combining the rapid growth and booming markets, Vietnam was successful in reducing poverty rate from 28.9% in 2002 to 18.1% in 2004 and 15.5% in 2006 (GSO, 2011). Inflation was kept under check with average CPI in the period at 4.5%, a remarkable achievement as inflation has always been a chronic disease of the post-Doi Moi period.

Figure 4: GDP growth rate and consumer price index



Source: General Statistics Office of Vietnam (GSO 2011, 2013).

The US-Vietnam BTA and investors' projections that Vietnam would enter WTO in 2006 and *China plus one* strategy (Shimizu, 2007) contributed to make Vietnam an attractive destination for FDI (UNCTAD, 2008: 8). Political and social stability played a significant role in facilitating economic development and attracting FDI (Dapice, 2003). FDI started to recover from 2003 (US$3.2 billion registered capital) to 2006 (US$12 billion), generating growth and employment.

Privatization (politically correct: 'equitization') of SOEs also saw improvement in the 2002-06 period with 2,813 enterprises being privatized, compared to a handful in 1990s, 60 in 2011, and 16 from 2012 to 2013Q1 (Bao Hai Quan, 2013).

Globalization and attitudes toward global geopolitics and geoeconomics (2007-present)

After two decades of growth, the engine started to lose its steam in late 2000s. The contemporary state-run conglomerate model has shown serious problems ranging from poor efficiency and corruption to crony capitalism. The macro economy again experienced a period of high inflation, budget deficit, declining foreign exchange reserve, mismanaged fiscal and monetary policies, high unemployment and sluggish commercial activities.

Vietnam's unstable macroeconomics with two-digit inflation in 2008 together with spillover effect of the global crisis had made the stock bubble burst in 2009. The VN-Index went down to less than 250 in February 2009 from the peak of 1170 in March 2007; and it has never regained the expected 600-point level that experts, policy makers and investors had desperately looked for while the downtrend became unavoidable in mid-2008 (Pham and Vuong, 2009).

In a more complex financial system with interconnected stock markets, real estate markets and money market, the problems do not just stay with stocks. Vuong and Nguyen (2008) argued that there was an interconnectedness between Vietnamese stock market, properties market and money market, showing rising complexities. After the boom of stock market and skyrocketing stock prices, many realized capital gains and speculated on real properties. This had led to a boom on real estate market from 2007 to 2010 where home prices went exponential. A free fall in prices by almost 30% in 2012Q2, coupled with no liquidity, made speculators panic (Vuong 2012). The continuous fall of property prices by another 30% in 2013Q2 killed most speculators and developers. The government admitted that VND 108 trillion ($5.1 billion) worth of real property become non-tradable in the second quarter of 2013 (Vietnamnet, 2013).

The banking sector immediately suffered, as about 50% of credits had been extended to real estate speculations and developments (Hong Suong, 2013a). Bad debts mounted, stifling credit flows to the economy and dragged production, businesses and consumption. Tightened banking credits then triggered informal credits and hyperactivity of 'loan sharks' to the extent that the government was worried about social unrest caused by rampant financial failures in information economy and households. Government's stimulus package of US$8 billion in 2008 and 2009 had temporarily backed GDP growth at 6.78% in 2010 before inflation threat became real in 2011. The growth rate fell to 5.03% in 2012, the lowest within 13 years (Nguyen, Nguyen and Nguyen, 2010). From 2011 to 2012, the economic crisis has pushed approx. 100,000 firms out of business, ~20% of the enterprise population (Vuong, 2012). Consumer price index (CPI) only slowed down in the recent years as a result of falling domestic demand.

From 2007 to present, the government's policies to use state-run conglomerates as the chief force to propel Vietnam's economy have degraded into problems of crony capitalism, interest groups and corruption, which induce rent-seeking and exacerbate the 'resource curse' problem in Vietnam. The state sector only creates 10% employment but consumes 70% total social investment, 50% total state investment, 60% commercial credit, and 70% of ODA (BBC, 2013).

The problems prevailed in banking industry and other essential industries of the country. A typical example is tycoon Nguyen Duc Kien, a senior commercial banker, who had manipulated the banking industry and gold market before being arrested in August 2012. His arrest sent a chill through the Vietnamese stock markets for three consecutive days, during which most stocks lost 20% of their value, and almost created a bank run at ACB that forced the State Bank to directly inject liquidity into the bank (Nguyen, 2012). Many state-run conglomerates, the government's expected to be their 'iron fists,' now turned out to be debt-stricken patients generating overwhelming losses, debt burdens or scandalous corruption worth billions of U.S. dollars, i.e. Vinashin, and Vinalines, Vietnam Electricity Group (EVN), Vietnam National Coal and Mineral Industries

Group (Vinacomin). In Vietnam, when the rule of law does not catch up with the expansion of the financial sector, political connections are used to channel loans toward unprofitable sector, hindering impact of finance on investment growth (Malesky and Taussig, 2009).

Although Vietnam's GDP *per capita* reached US$1,555/year in 2012 and $1,700 in 2013, the new millennium's setting is far different from that of the 1990s (Dan Tri, 2013). Vietnam is now part of the world's bigger game, in which it has passed the point of no return. The economy has been becoming more open and engaged in international affairs. Vietnam has started to acquire important positions in United Nations and shown its interest in world geopolitical issues by joining the UN Peace Keeping Operation in early 2014. Vietnam's participation is prepared with the help of the United States, who supports the UN operation by its Global Peace Operation Initiative. The country's joining into UN peace keeping force may potentially open new possibilities for U.S.-Vietnam relation, a meaningful event in global geopolitics (Wilson 2013). The CPV and the government have tried to preserve political stability through domestic policies (despite the successes and failures) and seeking foreign supports via foreign relations. For these hard, expensive and painful lessons about market mechanism and ideology, the 'little tiger' has not roared yet.

In-depth issues and implications from post-*Doi Moi* realities

Recurring problem of inflation and its politics

Inflation has never been a purely economic question. Over its course of development, Vietnam's economic expansion has been largely dependent on increasing investment and government spending (IMF 2013). In the 1990s and early 2000s, however, inflation was quite mild at one-digit number due to total investment being kept under 35% under P.M. Khai's tenures. Nevertheless, from 2006 under Nguyen Tan Dung's tenure, the ratio of investment to output was surging to a record level of 43% in 2007 (IMF 2013). Influx of money into the economy, and SOEs in particular, caused two-digit inflation in 2008 (23% peak) and 2011 (18%), affecting real consumption of the majority middle class and the poor, especially when 50%-80% of an average citizen's income is spent on foods (Oxfam, 2013). Hunger and poverty could threaten social and political stability, an essential element of development that Vietnam has claimed. Nguyen, Cavoli and Wilson (2012) show that inflation inertia, money supply and external cost shocks are significant determinants of inflation in Vietnam from 2001-09. Except the external cost shocks that are inevitable for such a small open economy as Vietnam, the government might be responsible for the rest. Despite Vietnam's press censorship, informal channels shows that some citizen groups, through their private blogs or websites, question the government's capability and virtues that let the crisis impoverish people and serious corruption destroy a promising potential economy (Cain, 2014).

Budget and trade deficit

While the government's spending on economic development accounts for a significant portion of its revenues, the remaining is spent on paying debts, feeding its unwieldy institutions and organizations and else. Continuous budget deficit for 10 years in a row from 2003 to 2012 at an average of 5.2% and has pushed the government to issue bonds and borrow from international community to finance its deficit (ECNA 2012). Vietnam's public debt has risen in the recent years (although still reportedly under the safety threshold of 60% GDP), creating a larger debt burden on the government. Despite the fact that the government's revenues from taxes and fees as a portion of GDP is higher in Vietnam than that in most countries in ASEAN, (IMF 2012) the government continuously misses its revenue targets because of the distressed situations in business firms and reports of losses in giant FDI firms, such as Cocacola, Pepsi or Metro Cash & Carry. Further integration with tax and tariffs commitment might bring trade deficit risks as they country will benefit from cheaper imports while exports are not improved due to low local competitiveness. Foreign debts and weak control over FDI firms might create a dependent Vietnam.

Rent-seeking and corruption that hold back economic development

Corruption is a form of rent-seeking that is rampant in Vietnam, which is prevalent in not only economic and political activities in Vietnam such as in tax practice, finance, banking, treasury and customs, but also in education and healthcare services. Especially, the government's advocacy of state-run conglomerates has conditioned corruption in the country better. The scandals at Vinalines and Vinashin well told the story. These giant SOEs could borrow huge funds from the largest banks. The money proved to be poison pills that incapable state conglomerates had took for their self-toxication. Clearly their bankers could never get back the money loaned out. The country has been ranked among the most corrupt countries in the world for years: 116 out of 177 in 2013, 123/176 in 2012, 112/180 in 2011, and 116/178 in 2010 in Corruption Perceptions Index (TPI 2013). Most scholars agree that corruption distorts economic activities and aggravates economic disparity that threatens long-term development. Vietnam has most of the causes of corruption that were pointed out by Paolo Mauro (1997): trade restrictions (in forms of import and export quotas for sugar, rice, sodium chloride); government subsidies; price controls (especially in essential goods such as electricity, gas and water); multiple exchange rate practices; low wages in the civil services (that lead to state cadres abusing power to receive bribes); natural resource endowments (to better connected businesses or political ties); and sociological factors (in which giving and receiving bribes is exceptionally common in the relation-based Confucian society). Corruption in Vietnam is so serious that some ODA donors at times threatened to withdraw their funds if the situation would not improve. In 2012, Sweden, an important donor announced to withdraw aids to Vietnam due to the country's improved economic conditions and blatant corruption in ODA projects (Intellasia 2012).

Rent-seeking: crony capitalism, interest group and monopoly
In the state-led economic model of Vietnam, which is especially fostered under contemporary government, corruption is accompanied with crony capitalism, monopoly and interest groups. For instance, despite its poor performance, badly managed projects and paramount losses, Vinashin was able to borrow US$4 billion to fund its operation and purchase broken ships from abroad at sky-high prices so the differences in real prices and accounting prices were profiteered by their senior managers. Vinashin was financed by ten local state-owned banks and a consortium of international lenders led by Credit Suisse. The Vinashin case well demonstrates how crony capitalism, interest group and corruption 'worked' in the state-led conglomerate model. In addition, the state-run conglomerates are the cause of monopoly, which help to gather national resources into hands of a few monopolists, such as Petrolimex and EVN. The two giants continuously raised their prices in the recent years to offset their claimed losses in various investment areas despite public out-crying. After the raises of electricity price in 2012, EVN reaped VND 6,000 billion (US$300 million) but still raised price in 2013 to recover its losses from previous investments in noncore business.

Shrinking demand, tightened credit and nationwide business shutdown
While Doi Moi has helped to inject life into Vietnam's economy, lifting millions of people out of poverty and creating a large middle class of 14.6 million people in 2012 (KPMG China 2012), income inequality is widening (Fritzen 2002) and the middle class's economic status and political right is fragile (Ebbinghausen 2012). As the middle class in the large cities (i.e., Hanoi, Hai Phong, Da Nang, Nha Trang, Ho Chi Minh and Can Tho) accounted for 40% of the country's sales, their economic condition directly affects domestic demand (Breu, Salsberg, and Ha, 2010). Since the global and domestic crisis severely affect the middle class, their consumption has been shrinking markedly. As money is stuck in real estate, stocks, and is not coming through wages and employment, an average citizen has to tighten her pocket to save for future. Shrinking demand together with tightened bank credit and frozen markets has lowered CPI and output growth over the last years, resulting in en masse business closures. It is not uncommon for firms to cut wages or fire personnel. Graduate students have had tough times in the job market, the situation far different from just a few year back. That almost one fourth of business firms closed in the last two years is too expensive a price for the current crisis.

Bad debts, shadow economy and instability

Amidst the economic crisis and bank tightening credit on mounting bad debts, many firms had to resort to informal credit, making this underground financial activity thrive. Underground finance was estimated to be equivalent to roughly 30% of total formal credit in Vietnam, or approximately $50 billion (Dan Tri, 2013b). 'Loan sharks' caused rampant failures due to prohibitive interest rate, not uncommonly 10-20% per month, and potential financial frauds that could potentially trigger serious economic consequences, and even social unrest. Frauds are conditioned in the transitioning society where many households and individuals tend to act as rent-seekers (Vuong and Napier, 2014). The largest fraud case reported recently showed a staggering amount of VND 4.5 trillion ($220 million) swindled by a single woman for betting on real estate projects and stocks, creating NPL problems for many banks and individual lenders, including households who mobilized money for on-lending activities. The clogged formal credit market interwoven with out-of-control underground market would likely to pose pressures on the political stability if socio-economic problems are not resolved duly and effectively (Vuong, Napier, Tran and Nguyen, 2013).

Increasing influence of FDI firms

Opening up for trade and foreign investment has been a solution for Vietnam to deepen transition. As argued by Büthe and Milner (2008), increasing integration through trade agreements and preferential trade agreements will help to attract foreign investment into such developing country as Vietnam in that international commitments are more credible than domestic policies. The acceleration in FDI flows since US-Vietnam BTA in 2001 has been an example of increasing trade. Today, FDI accounts for 25% of the country's total investment and FDI produce 20% of Vietnam's GDP (see MPI, 2013) with an increasing number of MNCs coming from various industries, e.g., fast food (KFC, Pizza Hut, Jollibee, Subway, Lotteria), apparels (Adidas), sport equipment (Daiwa), technology (Samsung, Nokia), beverage (Coca-Cola, Pepsi, Budweiser), retail (Metro Cash & Carry, BigC), vehicle manufacture (Toyota, Ford, Hyundai), and so on. Despite their significance in the economy, the giant players recently have been notorious for their transfer pricing practice, including Coca-Cola and Metro, as reported by Anh Hong (2012a, 2012b). A study by PWC (2011) shows that the developing countries often lack legal framework to stop transfer pricing and sanction misconduct. Fortunately, despite such shortages, Vietnam is a promising candidate to implement transfer pricing reform as it has had a number of tax treaties in place, experienced transfer pricing, and had economic, political and legal preconditions to do so (PWC 2011: 29-30).

The role of the business community

The introduction of Enterprise Law in 1999 and amended in 2005 has encouraged active participation of the private sector into the national economy. From 2006 to 2010, there were more than 500.000 private firms established. The private sector (mostly comprised of small and medium enterprises; or SMEs) accounted for 38% of GDP in 2010 and half of total employment in the recent years (Dangcongsan.vn, 2010). The private sector has doubtless been a major driver of change in Vietnam. Nonetheless private-sector firms, especially SMEs, are still faced by overwhelming problems while conducting business as long as the state-run firms are considered 'economic pillar' and the relationship-based rent-seeking is still omnipresent. The newly passed Constitution in 2013 stipulates the leading role of the state sector although serious problems and negative consequences of this model have been evidenced. Meanwhile, thousands of productive SMEs and business people are trying to keep their last breath because they are unable to borrow credit to continue production, citing that they cannot meet the complicated requirements for government supports, are not in government's list of privileged industries, or simply are not big enough. Local government may also sometimes be barrier to business firms for their ignorance of issues under their authority. In the state-led model, the small players are ignored because the benefits they bring are not big enough compared to those from the rent-seeking activities.

Vietnam and the changing geopolitical scene

Since *Doi Moi* inception, the CPV understood that it would have to open and integrate into the global economy. This is inevitable. For almost 30 years following *Doi Moi*, Vietnam has integrated further and passed the point of no return in the global games. The dispute between Japan and China over Senkaku/Diaoyu islands puts Vietnam under a geopolitical dilemma. Vietnam wants to express itself as an international middle player; however, either Japan or China looks for Vietnam's siding with it against the other. While Japan is Vietnam's largest ODA donor and FDI investor (GSO 2013), China is the largest trading partner, large debt holder and extremely influential neighbor in terms of politico-socio-cultural aspects. The situation makes Vietnam walk tightrope as it is unable to judge which side is more important than the other. In other words, while China is a fearful neighbor, Japan is the most important source of fund for Vietnam and is ally of the United States in Asia. Nevertheless, if Vietnam stayed in middle, both countries would look down on its behavior. This is a difficult situation since Vietnam's ruling elites are in need of foreign support while spending great efforts to preserve its legitimacy. In contrast to one assumption that Vietnam could "now deal with ambitious global powers from a position of independence and relative geopolitical strength," Vietnam might be at risk of weakening its image in this no-optimal-solution game (O'Reilly, 2013).

Alarming environmental problems

Although the concept of green economy has been in use for long time in developed nations, there is no doubt that Vietnam has not found solutions for emerging environmental problems occurring in its economy, and may have to pay big price in the future. One fact is that since *Doi Moi*, environmental preservation has been traded for economic expansion. Not until a few decades of transition is the environment receiving more concerns for it has been deteriorating at alarming rate. Vietnam's environment is always rated among the most polluted in the world (World Bank, 2008), including air and water pollution resulting from engines and manufacturing, untreated sewage, noises; climate change resulting in rising sea water level; natural disaster such as flood and draught resulting from deforestation or the country's geographic location, etc. A report by World Bank estimated that environmental problems costs Vietnam up to 5% of GDP annually (Vietnam News Agency, 2013). From 1997 to 2006, natural disasters caused more than 5000 missing and dead people and asset damage equivalent to 1% of GDP (ADB 2011). Moreover, due to its geographic location with a long coastline, Vietnam is certainly affected by climate change, which results in rising sea water level and serious impacts in agricultural productions of the affected regions. Despite the overwhelming environmental issues, there are existing barriers preventing Vietnam from building a green economy. The rich and powerful are exploiting the environment for short-term profits while the poor are destroying the environment for their short-term means of living (Pham and Rambo, 2008: 76). The mushrooming hydropower dams in Vietnam's middle region may well explain the former, and deforestation and uncontrolled exploitation of natural resources explain the latter. It is inherent that, future development of Vietnam has to deal with those environmental concerns, the awareness and action at all levels of government as well as the public. For this to be done, Vietnam urgently needs expertise and financial supports from the international community (Waibel, 2008: 27).

The next ten years: what may come?

Over the past years of reforms, the economy has gone though four characteristic periods of: 1) entrepreneurial policy-makers giving birth to the market economy; 2) the economic integration and adaptation of market economy; 3) the economic boom producing early fruits; and 4) transition turmoil showing plaguing problems inside and out-of-control international geopolitical issues outside due to the country's deeper integration into the world. Vietnam seems to have gone through a complete cycle, standing right now at the end of the final stage. If the situation does not improve with innovative and well-designed policies (similar to that in the entrepreneurial period), the impasse may likely remain for a while, impeding the pace of further development. Given the deep-rooted interwoven problems at present, it may be rational to predict a gloomy picture of the country's political economy.

Credibility of the CPV being challenged

The CPV leadership has claimed their credibility through the continuous French and American war triumphs that brought pride and freedom to Vietnamese people. The credibility has been bolstered by early success of *Doi Moi*. Economic reforms have turned Vietnam into a country famous for agricultural exports (such as rice, coffee, rubber, cashew nuts, catfish, and shrimp), a manufacturing hub of the Southeast Asia region, and an alternative to China for international corporations (such as textile and apparels, electronic equipment, consumer goods).

In light of the three major privileged elements that founding leaders of *Doi Moi* set forth, there is no doubt that Vietnam has been following the first (political stability) and second (open door policy) rules. The third element (further reform), however, was not clear. Many authors and institutions urged Vietnam to implement Doi Moi II in the late 1990s due to the economic problems in those times. However, as the country’'s markets were just in their early stage of development, problems were self fixed and Vietnam's immature financial markets which were not connected to regional markets were hardly affected by the Asian financial crisis. The urge, therefore, faded and Vietnam continued to reap some more results in the early 2000s. But again, from the late 2000s to present, intricate and deep-rooted problems have surfaced in the context of deeper integrated markets and geopolitical involvement. The solution now is perhaps, once again, a renewed wave of reforms, or *Doi Moi II*.

The current economic crisis might affect political stability if it is not resolved properly (Gasiorowski, 1995). Unlike in the late 1990s, there is no hope that the current crisis will fix itself as the domestic markets have developed to a certain degree of complexity and integration into the regional and world markets made them no longer isolated. Forty years after the wars, memories of the war triumphs under CPV leadership have become less relevant; and thus, legitimacy of the CPV leadership should manifest itself with economic achievements. However, these results have no longer been low-hanging fruits today, let alone the fact that the country's economic engine has shown signs of losing steam in recent years.

In addition, ‘integration’ means Vietnam has to follow the common rules of game as do others, which would forcibly require increasing transparency, responsible government, human rights for citizens, and environmental consciousness, *inter alia*. Given Vietnam's domestic economic malaise and the deep-rooted problems of corruption, crony capitalism and monopoly, the ruling elites are at risk of losing their credibility to both inside people and outsiders, if critical problems are ignored or even solved halfheartedly. Apparently, CPV has thus far had the power and resource that could help reverse the course by transforming itself from within for the sake of itself and its people. It looks like the actual answer to the question of this possibility would only be seen around the next CPV Congress, the 12th tenure in 2016.

The transition turmoil

The Vietnamese economy exhibits persistent problems of recurring high inflation, chronic budget and trade deficits, rent-seeking, heavy dependence on external development finance, and alarming environmental issues. These have collectively created the recent transition turmoil and threatened growth prospects.

The 90-million population, with more than half under age of 25 (more than 45 million people) and a recognized high literacy, is a considerable potential for economic development and positive socio-political changes. However, the current climate is not quite right for the economy to efficiently utilize this most important resource. The unabated turbulence in recent years has dissipated the social forces, weakened trust among people and legitimacy of the CPV.

Still, there are ways for Vietnam to gather steam for next stage of development if the CPV and coming 'entrepreneurial politicians’ focus on setting the right political climate for the private sector to growth healthily and continuing to build fundamental components for a functioning market economy. One of Vietnam’s advantages is that today it has seen a rising economic and political status in the international arena. Globalization will help Vietnam seek international supports if it proves to be willing to make right changes. Modern technology and social networking will help to accelerate Vietnam's strategic implementation.

In order to take advantage of the internal strengths and external supports to bring about prosperity, Vietnam has little choice but to institutionalize three basic elements: *a market economy, a law-based government* and *a civil society* and get on the right future trajectory. The following sections explain the need and advantages of implementing this set.

The essential tripod for the next ten years

Solid market economy

Although Vietnam has transformed its centrally-planned economy to socialist-oriented market economy for almost 30 years, the government still prioritizes SOEs during the course of economic development. This policy has proven ineffective and problematic as SOEs were mismanaged and performed poorly. In general they create more problems than they could solve. State managers have never been entrepreneurs by nature, and tend to cause serious ‘free rider’ problems. Although the CPV repeatedly maintains that the state-owned sector will have to be economic, the requirement of higher efficiency and sustainable development has become real, creating a paradox as SOEs have become increasingly irrelevant and a source of risks. Therefore, a solid market economy may turn out to be the only solution to this conundrum, at least for the following reasons.

First, given the widely accepted view that a market economy is more efficient than any other type of organized economy, a market economy is essential for Vietnam to bring efficient use of various resources, including human capital, financial resource and natural resources. This would be a solution to resource curse problem that Vietnam has been facing since its adoption of market and deepen the economic reform to be recognized as a market economy by 2020 as set by the CPV (CPV, 2011).

Second, a further market economy would lessen the dominating state sector in the economy, reducing the problems discussed above as a result of the inefficient state-led model, paving way for healthy competition and sustainable development. Although modern economic theorists, such as Keynes (2006) and Stiglitz (1993), support state's intervention into the economy to help during crises and fix the market failures, Vietnam's over-intervention backfired together with slowdown speed of reorganizing the SOEs in the recent years. Therefore, it is time for Vietnam to rethink the role of the state sector and reorganize this sector into a more modest and productive sector.

Third, a further market economy would be necessary for Vietnam to take advantage of external forces to develop itself if it is to catch up with other economies in the next decades. A market economy would not contradict the third basic element of agreement. One of the most important forces to economic development is FDI, especially large FDI inflows from capitalist advanced economies, such as United States, Japan, Korea, Singapore, and Hong Kong. Although Vietnam has made significant efforts to attract FDI into the country, there are still some barriers to FDI inflows that made firms feel discouraged and might have turned their destination to more favorable conditions elsewhere. Cumbersome administrative procedures (Transition Newsletter 2003: 35), red tape and corruption are often cited problems (PM Directive 10/2006). The mighty US currently ranks 7th largest FDI investor into Vietnam (GSO, 2013). European countries and the United States have not recognized Vietnam's market economy. Citing the country's sluggishness in its transition to a market economy, the U.S. claimed that government's intervention into Vietnam's economy distorted markets; Vietnam dong is not fully convertible; government employ regulations to control FDI activities; privatization of SEOs is delayed; and there is not yet plan to privatize land ownership (Import Administration Department US Government 2002).

Fourth, a market economy would recognize the essential role of private entrepreneurs in the economy and reorganize Vietnam's old-fashioned society ranking where businesspeople ranked lowest. Given the lackluster state sector, the private sector will undeniably be a driving force of growth and employment for the country in the next decade.

As advocacy for a planned economy has been discredited after the failures in the former Soviet Union, and China P.R.,[2] Vietnam moved from such system and experienced the market's superiority over the planned mechanism. If Vietnam wishes to escape from the current crisis and not falling behind, it has to continue the market reform that would gear the current economy to a higher level of the market economy.

A law-based government

Vietnam’s lack of the rule of law might be a hurdle to economic development and condition for the deep-rooted problems to mushroom inside the economy and even in the government as discussed earlier in this article.[3] Regarding the former, rule of law will facilitate the market economy to fix the economic problems. Regarding the latter, rule of law will help to build a law-based government to deter corruption and other related plagues. The rule of law will also help a citizen to understand the government's behavior better, which in turn builds better trust between government and citizens. This is of crucial importance to help the government regain credibility with its people.

In order to build the rule of law, the legal system has to be well-designed, just and sound with effective law enforcement. However, the country’s current system is nowhere close to such standard. One of the reasons that made Vietnam's legal system unmatched with economic development comes from the CPV's prioritizing economic development over any other reforms in early days of *Doi Moi*. The Party believed that economic reform has to take place first to create the basic infrastructure for political reform; otherwise, there could be social and political disorder. As a requirement of the economic reform, the government has introduced a number of laws, policies and legal documents to govern the transitioning economy where needed. However, the incomplete and, to some degree, malfunctioning legal system has shown many shortcomings that have impeded the economic development. Lack of a vision and a well-designed framework for legal system from the beginning has made the country's laws fragmented, mismatching, complicated and overlapping.

Albeit some 24,000 legal documents have been issued in the post-*Doi Moi* period up until now (Ministry of Justice, 2013), they do not automatically help improve transparency and rule of law as in Vietnam, a law will be followed by dozens of guiding documents that make understanding, following and enforcing a law more challenging than it needs be. For example, Land Law 2003 has 126 guiding documents on enforcement and Civil Law 2004 has 40. Besides unnecessary complication, a large number of documents could easily lead to both contradiction and arbitrary application, which reduce transparency and accountability. Despite some improvement in legal drafting and enforcement, the country has been struggling to build its socialist legitimacy (Article 12, Constitution Amendment 1992, Vietnam National Assembly, 2001).

The problems are also acknowledged by the CPV as stated in Resolution 48-NQ/TW that: lack of visions while building laws; lack of capable cadres, proper training and research; loose enforcement of laws; low awareness of citizens; and delay in enforcement (Politburo Resolution 2005). Some solutions are proposed in the resolution as:

"It is necessary to institutionalize the CPV''s set path timely, sufficiently and accurately; to specify Constitution's principle on building a socialist law-based government of the public, by the public and for the public; guarantee human right, freedom, democracy of the citizens; build a socialist oriented market economy, develop culture-society, maintain defense and security."

The problems of Vietnam's socialist law also draw interest of some authors. Among them Waller and Cao (1996) discuss problems of the nascent law system and law education in Vietnam following *Doi Moi* and commented that economic reform in Vietnam has not been caught up by legal reform. Painter (2003) looks into problems facing Vietnam when it commits to public administrative reform and proposed solutions to push along reform through the help of donors and encourage experiment and learning from local levels. Riedel and Turley (1999) discuss the existence of group interests within CPV that may shape the country's politics in the coming times. Vuving (2008:390) also analyzes political consequence that will define the country in the globalization era for there exists dichotomy within the CPV: integrationists support further integration in the world as a means to promote prosperity for the nation while 'anti-imperialists' reserve to safeguard their position and socialist ideology.

Painter (2003) discussion on the administrative reform to build the rule of law has pointed out that there is always a gap between proposed plan and actual implementation as the political struggle over control of state resources shapes the process. However, administrative reform and compliance to the rule of law by related parties and officials is only an aspect in building the rule of law in Vietnam. The real difficulty in building the rule of law in Vietnam rooted in its confusing political structure where there is no separation of power between the three branches of the government—legislative (or congress), executive (government: prime minister and ministers), and judiciary (court system)—but they have to divide tasks and collaborate with each other (Article 2, 1992 Amended Constitution by Vietnam National Assembly, 2001).

Another problem to build the rule of law in Vietnam lies in the absolute power of the CPV which implies its supremacy in the political realm; a reality that has been frequently reiterated by Party's supreme leader (e.g., Nguyen Phu Trong, 2013). This has led to a paradox in which to retain an orderly society, the Party calls for "highest respect for law" based on the rule of law.

Despite the promises and vivid speeches by the government, what they said and what they do show a huge gap. Vietnam is often watched by foreign governments, multilateral organizations and NGOs regarding issues about human rights, democracy and media censorship. Of the most controversial and strongly opposed issue in Vietnam's laws is the Land Law that does not recognize private land ownership but states that land belongs to the public (whose representative is the state) and citizens only have right to use and transfer land use rights. Painful stories about poor farmers whose lands were clawed back by local governments to serve commercial housing projects have drawn attention from politically conscious community. Incomplete, unjust laws and absence of the rule of law have led to local government's abuse of power in dealing with citizens, causing serious socio-economic consequences as seen in the case of farmer Doan Van Vuon (Viet Dung, 2013).

While the country constitution and CPV stipulate that workers, farmers and intellectuals are foundation of the national strengths, they may also be the ones that receive the least from the economic expansion brought about by the transitioning toward a market economy, while CPV leaders, state cadres and affiliated crony capitalists have eaten up the largest portion of wealth created by Doi Moi, sending social inequality to soar in recent years. Experiences and painful lessons take time but are invaluable for Vietnam ruling party to recognize that the rule of law must be respected by any means to resolve the profound conflicts between the people and the government in general, and the CPV in particular.

The civil society

In addition to the market economy and a law-based government, it would be inevitable for Vietnam to encourage the development of civil society. The development of this third sphere of the society (independent from the market and the state) would be beneficial in the long term. Civil society would bring together the common voice of the middle class and the poor in most of the important aspect in economic, political and cultural issues as a counterbalance of the state and the government. Such counterbalance would result in a more responsible and less corrupt government, a goal that Vietnam has set for post-*Doi Moi* period.

Despite the essential roles of civil society in today’s modern world - representing the voice of citizens on political, ideological, religious, cultural, educational issues - civil society has little impact over political and ideological aspects in Vietnam. The weak civil society in Vietnam means that “citizens lack the institutional representation and political ‘leverage’ that could be provided by active voluntary organizations” (Howard, 2002). It is not surprising when CIVICUS report shows that civil society is scored 1.2 out of 3 on impact dimension (VIDS, 2006), the lowest score among the four examined dimensions (the remaining three are value, structure, environment). Although democracy is often mentioned by CPV leadership and in Article 3 of 1992 Constitution as “*affluent citizens, strong state, and equitable, democratic and civilized society*,” actual democracy may take very long time due largely the government's censorship in press and politics-related issues (Cain, 2014).

Nonetheless, civil society is likely to be an irresistible trend in Vietnam for some reasons. First, it is a result of the law-based government. A law-based government would promote democracy, which in turns gives people freedom to join associations to express their views. The common voice of people in economic, political and cultural aspects would be a counterweight of the government, making the government more responsible in its decision making process and deter the corruption. Second, increasing integration has drawn pressures from international community into Vietnam that will bring the idea of civil society and its proven roles in many aspects of the economy into the country, such as the environmental problems discussed above. Third, increasing aids from multilateral donors also means more pressure from western-led view for Vietnam to encourage civil society development in the political issues as well. Furthermore, the advance development of technology, media and networking will spread information instantaneously that will result in a natural birth of civil society in primitive forms. The widespread of such common voice of people are out of control for the government even if it may tend to impose tough censorship in the first place.

The course of societal development set for a market economy and a law-based government will naturally lead to flourishing civil society. Its existence will in turn reinforce law-based governance and help to acquire the synergies from the 90-million population, full of young and energetic workforce, the core strength of Vietnam in the next stage of its political economy. If the government reforms itself and advocates this natural course of development, it shows its raison d'être and thus its legitimacy should be safeguarded by the trust of Vietnamese people.

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[1] In terms of human rights, Article 69 in 1990 constitution states that "citizens have rights to freedom of speech and of press, freedom to information access; freedom of meeting, of gathering, and of demonstrating in accordance with laws". In 1980 constitution, Article 67 states that citizens have such rights given that the freedom is "suitable with the benefits of socialism and the public." In terms of economic mechanism, Article 15 in 1990 constitution states that "The nation develops a commodity multi-sectoral economy under State's management with socialist orientation. The multi-sectoral economic structure has various forms of production organization and business doing based on public ownership, collective ownership, individual ownership, of which public and collective ownership is fundamental." While, Article 18 of the Vietnamese 1980 constitution just recognized two forms of ownership, public and collective, in which the public ownership is prioritized.

[2] The command economy had been adopted in China from 1949 to 1978 before the economic reform in 1978 changed it into a market oriented economy. During the command period, the implementation of Great Leap Forward and Cultural Revolution had brought famine and economic and political turbulence to Chinese people.

[3] World Justice Project defines rule of law as a law system where there are 4 principles to be upheld: 1. The government and its officials and agents as well as individuals and private entities are accountable under the law; 2. The laws are clear, publicized, stable and just, applied evenly, and protect fundamental rights, including the security of persons and property; 3. The process by which the laws are enacted, administered and enforced is accessible, fair and efficient; 4. Justice is delivered timely by competent, ethical, and independent representatives and neutrals who are of sufficient number, have adequate resources, and reflect the makeup of the communities they serve.